

It is hereby agreed that Anniversary Endorsement number 16 is deleted in its entirety and replaced with the following:

Anniversary Endorsement

In consideration of the premium charged, from 12:01 a.m. standard time of the effective date shown below, at the address of the Insured as stated in the policy declarations, it is agreed that the policy of which this endorsement forms a part is hereby amended in the following particulars:

Effective: July 1, 2007 certain of the Declarations shall read as follows:

Item 6. Description of Business Operations and Premium Computation:

<u>Classification of Operations</u>	<u>Estimated Annual Remuneration</u>	<u>Rate per \$100 Remuneration</u>	<u>Estimated Annual Premium</u>
Public University System for the State of Montana and all operations incidental thereto	\$334,871,385	\$.0681	\$228,047

Premium Adjustment Period: 12 Months

Item 7. Deposit Premium Hereunder: \$228,047

Minimum Annual Premium
for this policy shall be: \$216,645

Nothing herein contained shall vary, alter, waive or extend any of the terms, representations, conditions or agreements of the policy other than as above stated.

Attached to and forming a part of Policy No. _____ of the _____

Issued to

MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM

Endorsement No. 19-ICH 387 (01/01) Effective July 1, 2007

Authorized Representative

EXCESS WORKERS' COMPENSATION POLICY

Policy No.
Renewal of:

DECLARATIONS A CAPITAL STOCK COMPANY

Item 1. Name and Address of Insured: MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM C/O ROSI KELLER 129 UNIVERSITY HALL THE UNIVERSITY OF MONTANA MISSOULA, MT 59812	Agent's Name and Address:										
Item 2. Effective Date: JULY 1, 2006 12:01 A.M. Standard Time at the address of the Named Insured shown.											
Item 3. Anniversary Date in each year: JULY 1ST											
Item 4. This policy covers the Workers' Compensation law of each of the following states: MONTANA											
Item 5. Amount of Retention and Limit of Indemnity: (a) Insured's Retention Each Occurrence: SEE ENDORSEMENT NUMBER 4 (b) Limit of Indemnity Each Occurrence: SEE ENDORSEMENT NUMBERS 1 & 2											
Item 6. Description of Business Operations and Premium Computation:											
<table><thead><tr><th>Classification of Operations:</th><th>Estimated Annual Remuneration:</th><th>Rate per \$100 of Remuneration:</th><th>Estimated Annual Premium:</th></tr></thead><tbody><tr><td>PUBLIC UNIVERSITY SYSTEM FOR THE STATE OF MONTANA AND ALL OPERATIONS INCIDENTAL THERETO</td><td>\$343,374,476</td><td>\$.0625</td><td>\$214,609</td></tr></tbody></table> <table><tr><td>Premium Adjustment Period:</td><td>12 MONTHS</td></tr></table>	Classification of Operations:	Estimated Annual Remuneration:	Rate per \$100 of Remuneration:	Estimated Annual Premium:	PUBLIC UNIVERSITY SYSTEM FOR THE STATE OF MONTANA AND ALL OPERATIONS INCIDENTAL THERETO	\$343,374,476	\$.0625	\$214,609	Premium Adjustment Period:	12 MONTHS	
Classification of Operations:	Estimated Annual Remuneration:	Rate per \$100 of Remuneration:	Estimated Annual Premium:								
PUBLIC UNIVERSITY SYSTEM FOR THE STATE OF MONTANA AND ALL OPERATIONS INCIDENTAL THERETO	\$343,374,476	\$.0625	\$214,609								
Premium Adjustment Period:	12 MONTHS										
Item 7. Deposit Premium Hereunder: \$214,609	Minimum Annual Premium for this Policy: \$203,476										
Item 8. Loss Reporting Period: ANNUALLY											
Item 9. Form Numbers of Endorsements Forming Part of Policy at Time of Issue: ICH 385 (01/01), ICH 388, ICH 389, ICH 393, ICH 600-01, ICH 391, ICH 392, ICH 513, ICH 514, ICH 406, ICH 511, ICH 407, ICH 601 MT, ICH 602 MT, ICH 603 MT, ICH 604 MT											

Countersigned on July 6, 2006 at

By 

Workers' Compensation Benefits Endorsement
(Statutory Limit)

In consideration of the premium charged, it is agreed that the company's limits of indemnity as respects loss sustained by the Insured because of liability imposed upon the Insured by

- A. The Workers' Compensation Act of each state named in Item 4. of the Declarations, or
- B. The Workers' Compensation Act of a state not named in Item 4. of the Declarations, provided that the state(s) named in Item 4. of Declarations is the state(s) of the injured employee's normal employment or residence.

shall be the amount payable by the Company, in excess of the Insured's retention set forth in Item 5.(a), for compensation and other benefits required by such Workers' Compensation Law(s).

Nothing herein contained shall vary, alter, waive or extend any of the terms, representations, conditions or agreements of the policy other than as above stated.

Attached to and forming a part of Policy No. _____ of the _____

Issued to _____ **MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM** _____

Endorsement No. 1-ICH 388 (01/01) Effective July 1, 2006 _____

Authorized Representative

Employer's Liability Endorsement

As respects Insuring Agreement I.C., liability imposed by law upon the Insured for damages, the Company's maximum limit of indemnity for loss arising out of any one occurrence shall not exceed:

\$1,000,000. Each Occurrence

In excess of the Insured's retention set forth in Item 5.(a) of the Declarations applicable to each occurrence, and shall not exceed

\$1,000,000. Policy Limit

Policy limit is the maximum limit of the Company's indemnity for all occurrences taking place during a normal liability period.

Nothing herein contained shall vary, alter, waive or extend any of the terms, representations, conditions or agreements of the policy other than as above stated.

Attached to and forming a part of Policy No. _____ of the _____

Issued to _____ **MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM** _____

Endorsement No. 2-ICH 389 (01/01) Effective July 1, 2006 _____
Authorized Representative

Law for Damages Exclusions

In consideration of the premium charged, it is agreed that Section III of the Exclusions of this policy is amended to read as follows:

III. Under paragraph "C" of Insuring Agreement I. to:

- A. Liability assumed by the insured under any contractual agreement, but this exclusion does not apply to a warranty that work performed by or on behalf of the Insured will be done in a workmanlike manner;
- B. Bodily Injury to an employee while employed in violation of the law;
- C. Any obligation imposed by a Workers' Compensation, Occupational Disease, Unemployment Compensation or Disability Benefits Law, or any similar law;
- D. Bodily Injury intentionally caused or aggravated by or at the direction of the Insured;
- E. Bodily Injury arising out of termination of employment;
- F. Bodily Injury arising out of the coercion, demotion, reassignment, discipline, defamation, harassment or humiliation of, or discrimination against any employee;
- G. Damages arising out of operations for which the Insured:
 - 1. Has rejected any Workers' Compensation Law; or
 - 2. Has violated or failed to comply with any Workers' Compensation Law.

Nothing herein contained shall vary, alter, waive or extend any of the terms, representations, conditions or agreements of the policy other than as above stated.

Attached to and forming a part of Policy No. _____ of the _____

Issued to _____ **MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM,** _____

Endorsement No. 3-ICH 393 (01/01) Effective July 1, 2006 _____
Authorized Representative

Split Retention Endorsement

In consideration of the premium charged, it is agreed that Item 5.(a) of the Declarations, Insured's Retention Each Occurrence, is completed to read as follows:

Item 5.(a) Insured's Retention Each Occurrence:

- (i) \$1,000,000 as respects Workers' Compensation Act Benefits (Insuring Agreement I.A. & B.) for loss arising from Bodily Injury sustained by any Employee of the Insured while in, upon, entering into, or alighting from any aircraft owned by the Insured or under lease to the Insured for a term of six (6) months or more.
- (ii) \$500,000 as respects Workers' Compensation Act Benefits (Insuring Agreement I.A. & B.) for all other losses.
- (iii) \$500,000 as respects liability imposed by law upon the insured for damages (Insuring Agreement I.C.)

Nothing herein contained shall vary, alter, waive or extend any of the terms, representations, conditions or agreements of the policy other than as above stated.

Attached to and forming a part of Policy No. _____ of the _____

Issued to _____ **MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM**

Endorsement No. 4-ICH 600-01 (06/06) Effective July 1, 2006 _____
Authorized Representative _____

Communicable Disease Endorsement

As respects loss which the insured sustains as the result of all Occupational Disease occurrences taking place during the normal liability period which are caused by infection from the same Communicable Disease, the insured's retention shall not exceed the amount shown in Item 5.(a) of the Declarations - Insured's Retention Each Occurrence, regardless of the number of employees so infected.

It is further agreed that the following definition is added to the policy:

- XIII. Communicable Disease: the phrase "Communicable Disease" shall mean a disease caused by an infectious organism which is transmissible from one source to another, directly or indirectly.

Nothing herein contained shall vary, alter, waive or extend any of the terms, representations, conditions or agreements of the policy other than as above stated.

Attached to and forming a part of Policy No. _____ of the _____

Issued to _____ **MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM** _____

Endorsement No. 5-ICH 391 (01/01) Effective July 1, 2006 _____
Authorized Representative

Terrorism Risk Insurance Act Endorsement

This endorsement addresses requirements of the Terrorism Risk Insurance Act of 2002 as amended and extended by the Terrorism Risk Insurance Extension Act of 2005.

Definitions

The definitions provided in this endorsement are based on the definitions in the Act and are intended to have the same meaning. If words or phrases not defined in this endorsement are defined in the Act, the definitions in the Act will apply.

"Act" means the Terrorism Risk Insurance Act of 2002, which took effect on November 26, 2002, and any amendments resulting from the Terrorism Risk Insurance Extension Act of 2005.

"Act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States as meeting all of the following requirements:

- a. The act is an act of terrorism.
- b. The act is violent or dangerous to human life, property or infrastructure.
- c. The act resulted in damage within the United States, or outside of the United States in the case of United States missions or certain air carriers or vessels.
- d. The act has been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

"Insured terrorism or war loss" means any loss resulting from an act of terrorism (including an act of war, in the case of workers compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if the loss occurs in the United States or at United States missions or to certain air carriers or vessels.

"Insurer deductible" means:

- a. For the period beginning on November 26, 2002 and ending December 31, 2002, an amount equal to 1% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding November 26, 2002.
- b. For the period beginning on January 1, 2003 and ending on December 31, 2003, an amount equal to 7% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2003.

Page 1 of 2

Nothing herein contained shall vary, alter, waive or extend any of the terms, representations, conditions or agreements of the policy other than as above stated.

Attached to and forming a part of Policy No. _____

_____ of the _____

Issued to _____

MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM

Endorsement No. _____

7-ICH 513 (04/06)

Effective _____

July 1, 2006

Authorized Representative _____

Terrorism Risk Insurance Act Endorsement

- c. For the period beginning on January 1, 2004 and ending on December 31, 2004, an amount equal to 10% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2004.
- d. For the period beginning on January 1, 2005 and ending on December 31, 2005, an amount equal to 15% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2005.
- e. For the period beginning on January 1, 2006 and ending on December 31, 2006, an amount equal to 17.5% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2006.
- f. For the period beginning on January 1, 2007 and ending on December 31, 2007, an amount equal to 20% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2007.

Limitation of Liability

The Act may limit our liability to you under this policy. If annual aggregate insured terrorism or war losses of all insurers exceed \$100,000,000,000 during the applicable period provided in the Act, and if we have met our insurer deductible, the amount we will pay for insured terrorism or war losses under this policy will be limited by the Act, as determined by the Secretary of the Treasury.

Policyholder Disclosure Notice

- 1. Insured terrorism or war losses would be partially reimbursed by the United States Government under a formula established by the Act. Under this formula, the United States Government would pay 90% for program year 4 and 85% for program year 5 of our insured terrorism or war losses exceeding our insurer deductible.
- 2. The additional premium charged for the coverage this policy provides for insured terrorism or war losses is shown in Item 4 of the Information Page or the Schedule below.

Schedule

<u>State</u>	<u>Estimated Annual Remuneration</u>	<u>Rate per \$100 of Remuneration</u>	<u>Estimated Annual Premium</u>
Montana	\$343,374,476	\$.0012	\$4,420

Page 2 of 2

Nothing herein contained shall vary, alter, waive or extend any of the terms, representations, conditions or agreements of the policy other than as above stated.

Attached to and forming a part of Policy No. _____ of the _____

Issued to _____ **MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM**

Endorsement No. 7-ICH 513 (04/06) Effective July 1, 2006

Authorized Representative

Amended Claims Reporting Requirements Endorsement

In consideration of the premium charged, it is agreed that Item IV. of the Policy Conditions, Administration and Reporting of Claims, is deleted in its entirety and replaced by the following:

IV. Administration and Reporting of Claims: the Insured shall be responsible for the investigation, settlement, defense or appeal of any claim made or suit brought, or proceeding instituted against the Insured. The Insured shall have the duty to give immediate (within 30 days) notice to the Company as soon as the risk manager or the individual responsible for claims handling at the office of the Insured has knowledge of any of the following:

- A. Any occurrence which causes serious injury to two or more employees;
- B.
 - 1. A fatality;
 - 2. An amputation of a major extremity;
 - 3. Any serious head injury (including skull fracture or loss of sight of either or both eyes);
 - 4. Any injury to the spinal cord;
 - 5. Any disability where it appears reasonably likely that there will be disability of more than one (1) year;
 - 6. Any second or third degree burn of 25% or more of the body;
- C. The reopening of any case in which further award might involve liability of the Company.

If written notice of part A., B., and/or C. above is/are not provided within one year of when required, reimbursements will be reduced by 15%. If written notice is not provided within three years of when required, reimbursements will be reduced by 40%.

The Insured shall not make any voluntary settlement or voluntarily make a lump sum payment or commutation or one time payment in lieu of periodic indemnity payments to employees or their dependents involving loss to the Company except with the written consent of the Company.

Page 1 of 2

Nothing herein contained shall vary, alter, waive or extend any of the terms, representations, conditions or agreements of the policy other than as above stated.

Attached to and forming a part of Policy No. _____ of the _____

Issued to _____ **MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM** _____

Endorsement No. 8-ICH 514 (05/04) Effective July 1, 2006

Authorized Representative _____

Amended Claims Reporting Requirements Endorsement
(Continued)

The Insured shall forward promptly to the Company any requested information on individual occurrences, claims or cases, and shall render to the Company, within thirty (30) days after the close of each loss reporting period specified in Item 8. of the Declarations an experience report upon a form satisfactory to the Company showing in detail the amount disbursed during the preceding loss reporting period in settling claims and the estimated future payments on or reserves for outstanding claims.

The Company, at its own election and expense, shall have the right to participate with the Insured in, or to assume in the name of the Insured, control over the investigation, settlement defense or appeal of any claim, suit or proceeding which might involve liability of the Company.

Page 2 of 2

Nothing herein contained shall vary, alter, waive or extend any of the terms, representations, conditions or agreements of the policy other than as above stated.

Attached to and forming a part of Policy No. _____ of the _____

Issued to _____ **MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM** _____

Endorsement No. 8-ICH 514 (05/04) Effective July 1, 2006 _____

Authorized Representative _____

Volunteers and Board Members Amendatory Endorsement

In consideration of the premium charged, and subject to the amount of the Insured's retention and limit scheduled in Items 5. (a) and (b) of the declarations, it is agreed that the definitions section of the Policy Item VII., Employee, is amended to read as follows:

- VII. Employee: the word "employee" shall mean, as respects liability imposed upon the Insured by the Workers' Compensation Act of any state, any person, including volunteers and board members, performing work which renders the Insured liable under any Workers' Compensation Act, provided such person's normal employment or residence is located in a state named in Item 4. of the Declarations, for Bodily Injury or Occupational Disease sustained by such person.

Nothing herein contained shall vary, alter, waive or extend any of the terms, representations, conditions or agreements of the policy other than as above stated.

Attached to and forming a part of Policy No. _____ of the _____

Issued to _____ MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM _____

Endorsement No. 9-ICH 406 (01/01) Effective July 1, 2006 _____
Authorized Representative _____

Escalation Exclusion

As respects each accident or disease, loss excludes any periodic or one time increase in or escalation of benefits taking place after the date the accident or disease exposure occurs. This exclusion applies even though the provision for the increase or escalation was in effect upon the date the accident or disease exposure occurred.

Nothing herein contained shall vary, alter, waive or extend any of the terms, representations, conditions or agreements of the policy other than as above stated.

Attached to and forming a part of Policy No. _____ of the _____

Issued to _____ **MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM** _____

Endorsement No. 10-ICH 511 (05/01) Effective July 1, 2006 _____
Authorized Representative _____

Foreign Endorsement

- I. Endemic Disease Part one loss will include payments you gratuitously make with respect to an employee you normally employ in a state named in Item 4. of the Declarations Page for benefits indicated in the Workers' Compensation law of that state because of exposure occurring during the Policy period to disease endemic to a region outside the United States of America, while traveling or temporarily working there.

This endemic disease coverage does not apply if the employee (or dependent) is entitled to benefits under any Workers' Compensation law.

- II. Limited Repatriation Expenses In the event of bodily injury by accident or disease exposure occurring during the Policy period sustained by an employee you normally employ in a state named in Item 4., while traveling or temporarily working outside the United States of America, part one loss will include those transportation expenses you incur returning the employee because of the injury, (or, in case of death, the employee's body,) to the location where normally employed which exceed the cost of returning the employee if uninjured.

Nothing herein contained shall vary, alter, waive or extend any of the terms, representations, conditions or agreements of the policy other than as above stated.

Attached to and forming a part of Policy No. _____ of the _____

Issued to _____

MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM

Endorsement No. 11-ICH 407 (01/01) Effective July 1, 2006

Authorized Representative _____

Montana Endorsement #1

AMENDMENT REGARDING INSOLVENCY

Effective 12:01 a.m., Local Time

In consideration of the terms and conditions under which this Agreement is written, it is hereby understood and agreed that the following language regarding Insolvency be added to this Excess Workers' Compensation Insurance Agreement:

BANKRUPTCY OR INSOLVENCY -- It is understood and agreed that the bankruptcy or insolvency of the Insured or of the Insured's estate, or any other default or overdue liability of the Insured, shall not relieve the Insurer of any of its obligations to pay promptly and when due, all compensation and other benefits required of the Insured by the Montana Workers' Compensation & Occupational Disease Acts. It is further agreed that in the event of bankruptcy or insolvency of the Insured or of the Insured's estate, or in the event of any default or overdue liability of the Insured, payment shall be made directly to the Montana Department of Labor & Industry, Employment Relations Division, P.O. Box 8011, Helena, Montana, 59604-8011, for and on behalf of the account of eligible claimants under the Acts.

Nothing herein contained shall vary, alter, waive or extend any of the terms, representations, conditions or agreements of the policy other than as above stated.

Attached to and forming a part of Policy No. _____ of the _____

Issued to _____ MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM.

Endorsement No. 12-ICH 601 (07/02) MT Effective July 1, 2006

Authorized Representative

Montana Endorsement #2

AMENDMENT REGARDING CANCELLATION

Effective 12:01 a.m., Local Time

In consideration of the terms and conditions under which this Agreement is written, it is hereby understood and agreed that the following language regarding Cancellation be added to this Excess Workers' Compensation Insurance Agreement:

CANCELLATION -- The Insured or the Insurer may not cancel this Excess Workers' Compensation Insurance Agreement unless there is at least sixty (60) days' prior written notice to the other and to the Montana Department of Labor & Industry, Employment Relations Division, P.O. Box 8011, Helena, Montana 59604-8011. Any such notice shall be sent by certified mail to the attention of the "Workers' Compensation Regulation Bureau Chief." The notice shall state the date upon which cancellation shall become effective. Coverage under this agreement does not apply to any loss as a result of an occurrence which takes place after the effective date of such cancellation. However, coverage under this agreement does apply and is in force for any incurred but not reported loss so long as the loss occurred during the policy period and is timely reported thereafter.

Nothing herein contained shall vary, alter, waive or extend any of the terms, representations, conditions or agreements of the policy other than as above stated.

Attached to and forming a part of Policy No. _____ of the _____

Issued to _____ MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM _____

Endorsement No. 13-ICH 602 (07/02) MT Effective July 1, 2006 _____

Authorized Representative

Montana Endorsement #3

AMENDMENT REGARDING COMMUTATION

Effective 12:01 a.m., Local Time

In consideration of the terms and conditions under which this Agreement is written, it is hereby understood and agreed that the following language regarding Commutation be added to this Excess Workers' Compensation Insurance Agreement:

COMMUTATION -- This policy shall provide that any commutation effected hereunder shall not relieve the Insurers of further liability in respect to claims and expenses unknown at the time of such commutation or in regard to any claim apparently closed at the time of initial commutation which is subsequently reopened by or through a competent authority. If the Insurers proposes to settle a liability for further payments payable as compensation for accidents or occupational diseases occurring during the term of the policy by the payment of a lump sum to the employer or group of employers to be fixed as proved in the commutation clause of the policy, then not less than sixty (60) days prior notice to such commutation shall be given by the Insurers or its agent by registered or certified mail to the Montana Department of Labor & Industry, Employment Relations Division, P.O. Box 8011, Helena, Montana 59604-8011. If any commutation is effected, the Department shall have the right to direct such sum be placed in trust for the benefit of the eligible claimant(s) entitled to such future payments of compensation.

Nothing herein contained shall vary, alter, waive or extend any of the terms, representations, conditions or agreements of the policy other than as above stated.

Attached to and forming a part of Policy No. _____ of the _____

Issued to _____ MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM

Endorsement No. 14-ICH 603 (07/02) MT Effective July 1, 2006

Authorized Rep. _____

Montana Endorsement #4

AMENDMENT REGARDING LATE CLAIM REPORTING PENALTY WAIVER

Effective 12:01 a.m., Local Time

In consideration of the terms and conditions under which this Agreement is written, it is hereby understood and agreed that the following language regarding Late Claim Reporting Penalty Waiver be added to this Excess Workers' Compensation Insurance Agreement:

LATE CLAIM REPORTING PENALTY WAIVER -- The Insurer hereby waives, in its entirety, any late claim reporting penalty endorsement as to the Montana Department of Labor & Industry, Employment Relations Division. The intent of this waiver is in the event the Department becomes entitled to any rights under this policy, no penalty in the indemnity paid for claims that were reported late can or will be taken by the Insurer as against the Department. Penalties may be asserted and taken against the Insured under any "business as usual" conditions. The stated amount of any indemnity will be paid in full to the limit of liability without deducting any percentage penalty any time the Department becomes entitled to payments under the policy regardless of the past or present financial or business status of the Insured.

Nothing herein contained shall vary, alter, waive or extend any of the terms, representations, conditions or agreements of the policy other than as above stated.

Attached to and forming a part of Policy No. _____ of the _____

Issued to _____ MUS WORKERS' COMPENSATION SELF-FUNDED PROGRAM

Endorsement No. 15-ICH 604 (07/02) MT Effective July 1, 2006

Authorized Representative _____

(A Stock Insurance Company, herein called the Company)

The Company agrees with the Insured named in the Declarations made a part hereof, in consideration of the payment of the premium and subject to all of the terms of this Policy, as follows:

INSURING AGREEMENTS

- I. APPLICATION OF POLICY: This Policy applies to loss sustained by the Insured because of liability imposed upon the Insured by:

- A. The Workers' Compensation Act of each state named in Item 4 of the Declarations, or
- B. The Workers' Compensation Act of a state not named in Item 4 of the Declarations, provided that the state(s) named in Item 4 of the Declarations is the state(s) of the injured employee's normal employment or residence, or
- C. Law for damages

on account of Bodily Injuries and Occupational Disease sustained by Employees employed by the Insured and engaged in operations described in the Declarations, or in such other operations of the insured as are incidental to those described, as a result of occurrences taking place on or after the effective date and while this Policy is in force.

The indemnity afforded by this Policy under Insuring Agreement I. C. for loss because of liability imposed by law for damages applies only as respects such operations in the named states including, however, employees who are employed and are regularly engaged in such operations in the named states but who may be temporarily outside the named states in connection with such operations within the named states. As respects liability imposed by law for damages, the Company shall have no obligation to indemnify the Insured for damages imposed in any lawsuit brought in, or any judgement rendered by any court outside of, the United States of America, its territories or possessions, or Canada, or to any action on such judgement wherever brought.

- II. RETENTION AND INDEMNITY: As respects loss which the Insured sustains as a result of each occurrence, the Insured shall retain loss in the amount of the Insured's retention specified in Item 5 (a) of the Declarations, and the Company agrees to indemnify the Insured against loss in excess of such retention; notwithstanding the application of this policy to loss sustained by the Insured under Subsections A., B. and C. of Agreement I., and regardless of the number of entities named in Item 1 of the Declarations, the maximum amount of the Insured's retention and the maximum limit of the Company's indemnity hereunder shall not exceed the amounts specified in Items 5 (a) and 5 (b) of the Declarations.

DEFINITIONS

Wherever used in this Policy,

- I. WORKERS' COMPENSATION ACT: The term "Workers' Compensation Act" shall include any separate Occupational Disease Act but shall not include the Non-Occupational Disability Benefit Provisions of any such Act;
- II. LAW FOR DAMAGES: The term "Law for Damages" shall not include any Workers' Compensation Act;
- III. BODILY INJURY: The term "Bodily Injury" shall include death resulting therefrom but shall not include Occupational Disease;

- IV. OCCUPATIONAL DISEASE: The term Occupational Disease" shall include death resulting therefrom and cumulative injuries;

- V. OCCURRENCE: The word "Occurrence," as applied to Bodily Injury, shall mean Accident. Occupational Disease sustained by each Employee shall be deemed to be a separate occurrence, and the occurrence shall be deemed to take place on the last day of the last exposure, in the employment of the Insured, to conditions causing or aggravating the disease.

- VI. LOSS: The word "Loss" shall mean only such amounts as are actually paid by the Insured in payment of benefits under the applicable Workers' Compensation Act, or in payment of amounts imposed upon the Insured by law for damages, in settlement of claims for such benefits or damages, or satisfaction of awards or judgements for such benefits and damages, including court costs, interest upon awards or judgements and allocated investigation, adjustment and legal expenses; but the term "Loss" shall not include as expenses, salaries paid to Employees of the Insured, nor fees and retainers paid to any service organization;

- VII. EMPLOYEE: The word "Employee" shall mean, as respects liability imposed upon the Insured by the Workers' Compensation Act of any state, any person performing work which renders the Insured liable under any Workers' Compensation Act, provided such person's normal employment or residence is located in a state named in Item 4 of the Declarations, for Bodily Injury or Occupational Disease sustained by such person;

- VIII. REMUNERATION: The word "Remuneration" shall mean payroll developed in accordance with the rules set forth by the Workers' Compensation Rating Bureau having jurisdiction in each state where the operations described in the Declarations are conducted, without regard to the fact that the Insured is a self-insurer. If no Rating Bureau has jurisdiction the word "Remuneration" shall mean:

- A. All salaries; wages; earnings for overtime, piece work or contract work; bonuses or allowances; and also the cash equivalent of all board, merchandise, store certificates, credits or any other substitutes for cash; and
- B. The entire amount earned by all employees of the Insured and any other person performing work which may render the Company liable under this contract for compensation and other benefits payable to such person in accordance with any Workers' Compensation Act; however, "Remuneration" shall not include any amount earned by any such person if the Insured maintains evidence satisfactory to the Company that the Insured's liability for compensation or other benefits to such persons under such law is secured by other valid and collectable insurance or by any other means approved by the governmental agency having jurisdiction therefor.

- IX. ADJUSTED REMUNERATION: The term "Adjusted Remuneration" applies only in case this Policy is cancelled effective at a date other than the end of a normal liability period, and shall mean the actual remuneration as described in VIII. above, except that the adjusted remuneration is obtained by extending pro-rata to the full normal liability period the remuneration applicable during such fractional liability period;
- X. LIABILITY PERIOD: The term "Liability Period," as an unqualified term, shall mean either a Normal Liability Period or a Fractional Liability Period;
- XI. NORMAL LIABILITY PERIOD: The term "Normal Liability Period" shall mean a consecutive twelve (12) month period during which

this Policy is in force. The first Normal Liability Period shall commence at the effective date of this Policy, and shall end at 12:01 a.m. on the Anniversary Date, as specified in Item 3 of the Declarations. All the provisions of this policy shall apply separately to each consecutive twelve (12) month period from the date specified in Item 3 of the Declarations as "Anniversary Date" in the same manner as if a separate Policy had been written for each consecutive period.

- XII. **FRACTIONAL LIABILITY PERIOD:** The term "Fractional Liability Period" applies only in case this Policy is cancelled effective at a date other than the end of a normal liability period and shall mean that period of time between the beginning of the then current liability period and the effective date of cancellation.

EXCLUSIONS

This Policy shall not apply to:

- I. Loss on account of Bodily Injury sustained by any Employee of the Insured while in, upon, entering into or alighting from any aircraft owned by the Insured or under lease to the Insured for a term of six (6) months or more;
- II. Punitive or Exemplary Damages, fines or penalties assessed against or imposed upon the Insured:
 - A. On account of Bodily Injury or Occupational Disease sustained by any Employee; or
 - B. Because of the conduct of the Insured or any of its agents; in the investigation, trial or settlement of any claim for benefits under the applicable Workers' Compensation Act or for damages at law, or (ii) in failing to pay or delaying the payment of any such benefits or damages; or
 - C. On account of violation of any statute or regulation.
- III. Under Paragraph C. of Insuring Agreement I., to liability assumed by the Insured under any contractual agreement, but this exclusion does not apply to a warranty that work performed by or on behalf of the Insured will be done in a workmanlike manner.

CONDITIONS

- I. **SELF INSURANCE:** In the case of operations conducted by any person, firm or organization named in the Declarations as the Insured:
 - A. As respects which such Insured has rejected the Workers' Compensation Act of any of the named states or any part of such act, or
 - B. Which are subject to the Workers' Compensation Act of any such state and are conducted at a time when such Insured is not a duly qualified self-insurer under such Workers' Compensation Act as respect such operations.

The amount of loss resulting from such operations shall, for the purpose of this policy, be considered not to exceed the amount of loss which would have been produced had such operations been subject to such act and had such Insured been a duly qualified self-insurer under such Workers' Compensation Act as respects such operations at the time such operations were conducted; but in no event shall this Policy apply to loss arising out of operations as respects which the Insured carries a full coverage Workers' Compensation and Employer's Liability policy.

- II. **PREMIUM:** At the beginning of each premium adjustment period specified in the Declarations, the Insured shall pay to the Company the deposit premium specified in the Declarations, which deposit premium shall be allowed as a credit against earned premium for such premium adjustment period.

Within thirty (30) days after the close of each premium adjustment period, the Insured shall render to the Company a payroll report upon a form satisfactory to the Company showing, by

classification, the amount of remuneration earned by Employees during the period, plus computations of the earned premium for the premium adjustment period (the latter obtained by applying the premium rate specified in Item 6 of the Declarations, to the remuneration).

The Insured shall therewith pay to the Company the excess, if any, of the earned premium over the deposit premium paid at the beginning of such premium adjustment period. If such deposit premium exceeds such earned premium, the Company shall return to the Insured the amount of such excess, subject to the minimum premium applicable to the premium adjustment period, as specified in Item 7 of the Declarations.

In no event, however, shall the premium due the Company, in respect of any normal liability period, be less than the applicable minimum premium specified in Item 7 of the Declarations. The premium due the Company in respect of the fractional liability period resulting in case this Policy is cancelled effective at a date other than the end of a normal liability period shall be as set forth in Condition XV., Cancellation.

- III. **ANNUAL REVIEW:** This Policy shall be subject to review at each Anniversary Date and possible adjustment of its rate, deposit premium and other terms. The completion of new application forms is an annual requirement to facilitate this review. If changes in manual rates or classifications have been published applicable to the states named in Item 4 of the Declarations, the Company may endorse the Policy to provide for corresponding changes in the rate(s) specified in the Declarations.

- IV. **ADMINISTRATION AND REPORTING OF CLAIMS:** The Insured shall be responsible for the investigation, settlement, defense or appeal of any claim made or suit brought, or proceeding instituted against the Insured. The Insured shall have the duty to give immediate notice to the Company upon learning of any of the following:

- A. Any occurrence which causes serious injury to two or more Employees;
- B.
 1. A fatality;
 2. An amputation of a major extremity;
 3. Any serious head injury (including skull fracture or loss of sight of either or both eyes);
 4. Any injury to the spinal cord;
 5. Any disability where it appears reasonably likely that there will be a disability of more than one (1) year;
 6. Any second or third degree burn of 25% or more of the body;
- C. The reopening of any case in which further award might involve liability of the Company.

The Insured shall not make any voluntary settlement or voluntarily make a lump sum payment or commutation or one time payment in lieu of periodic indemnity payments to Employees or their dependents involving loss to the Company except with the written consent of Company.

The Insured shall promptly forward to Company any requested information on individual occurrences, claims or cases, and shall render to Company within thirty (30) days after the close of each loss reporting period specified in Item 8 of the Declarations an experience report upon a form satisfactory to Company showing in detail the amount disbursed during the preceding loss reporting period in settling claims and the estimated future payment on or reserves for outstanding claims.

The Company, at its own election and expense, shall have the right to participate with the Insured in, or to assume in the name of the Insured, control over the investigation, settlement, defense

or appeal of any claim, suit or proceeding which might involve liability of the Company.

V. SERVICE ORGANIZATION: As a condition precedent to recovery hereunder, it is agreed that the Insured will engage one or more independent service organizations acceptable to the Company to perform on behalf of the Insured, and without charge to the Company, such services as may be acceptable to the Company during the currency of this policy and until the final settlement of all claims arising out of occurrences which take place while this Policy is in force. The performance of such services shall not constitute any undertaking on behalf of the Company, nor relieve the Insured of any of its obligations under the terms of this policy.

VI. ASSISTANCE AND COOPERATION: In the event the Company elects to participate with the Insured in, or to assume in the name of the Insured, control over the investigation, defense or appeal of any claim, suit or proceeding, the Insured shall cooperate to the fullest extent with the Company and its representatives.

Upon the Company's request the Insured shall direct its service organization and/or other representatives to cooperate with and assist the Company in all matters relative to such investigation, settlement, defense or appeal.

If the Company elects to assume control as described above, the Company shall give written notice of such election to the Insured. Upon receipt of such written notice, the Insured shall not, except at its own cost, voluntarily make any payment, assume any obligation or incur any expense other than such immediate medical or other services at the time of injury as are required by the Workers' Compensation Act or such immediate medical and surgical relief as may become imperative at the time of an occurrence.

VII. LOSS PAYABLE: The Company shall pay any loss for which it may be liable under this Policy in the following manner:

A. As respects Paragraphs A. and B. of Insuring Agreement I., payment shall first be made by the Insured in accordance with the provisions of the Workers' Compensation Law, and the Company shall reimburse the Insured for such loss periodically, at intervals of not less than one (1) month, upon receipt from the Insured of proper proofs of payment.

B. As respects Paragraph C. of Insuring Agreement I., liability under this Policy with respect to any occurrence shall not attach unless and until the Company's liability shall have been fixed and rendered certain either by final judgment against the Insured after actual trial or by written agreement of the Insured, the claimant and the Company. Such losses shall be due and payable within thirty (30) days after they are respectively claimed and proven in conformity with this Policy.

VIII. SUBROGATION: In the event of any payment under this Policy, the Company shall be subrogated, to the extent of such payment, to all the Insured's rights of recovery therefore and the Insured shall execute all papers required and shall do everything that may be necessary to secure such rights. Any amount recovered as a result of such proceedings, together with all expense necessary to the recovery of any such amount shall be apportioned as follows: The Company shall first be reimbursed to the extent of its actual payment hereunder. If any balance then remains, said balance shall be applied to reimburse the Insured. The expenses of all proceedings necessary to the recovery of such amount shall be apportioned between the Insured and the Company in the ratio of their respective recoveries as finally settled. If there should be no recovery in proceedings instituted solely on the initiative of the Company, the expenses thereof shall be borne by the Company.

IX. INSPECTION AND AUDIT: The Company shall be permitted but not obligated to inspect the Insured's operations at any time. Neither the Company's right to make inspections, nor the making thereof, nor any report thereon shall constitute an undertaking on behalf of or for the benefit of the Insured or others to determine or

warrant that such operations are safe or harmful or are in compliance with any law, rule or regulation. The Company may examine and audit the Insured's books and records at any time during the currency hereof and until three (3) years after the final settlement of all claims or payments made on account of accident or disease occurring during the term of this Policy as far as such books and records relate to the subject matter of this Policy.

X. OTHER INSURANCE: If the Insured has other insurance against a loss covered by this Policy, the Company shall not be liable to the Insured hereunder for a greater proportion of such loss than the amount which would have been payable under this Policy, had no such other insurance existed, bears to the sum of said amount and the amounts which would have been payable under each other policy applicable to such loss, had each such policy been the only policy so applicable.

XI. BANKRUPTCY AND INSOLVENCY: In the event of the bankruptcy or insolvency of the Insured or any entity comprising the Insured, the Company shall not be relieved thereby of the payment of any claims under this Policy because of such bankruptcy or insolvency.

XII. ASSIGNMENT: No assignment of the Insured's interest hereunder shall be binding upon the Company unless its consent is endorsed hereon.

XIII. NOTICE OR PAYMENT: If more than one entity is named in Item 1 of the Declarations, notices, stipulations and payments to or by the entity first named in Item 1 shall be binding upon all other entities named therein.

XIV. CHANGE OR WAIVER: The terms of this Policy shall not be waived or changed except by endorsement issued to form a part hereof, signed by a duly authorized representative of the Company.

XV. CANCELLATION: This policy may be cancelled at any time either by the Company or by the Insured upon written notice to the other party stating when, but not less than thirty (30) days thereafter, cancellation shall be effective. This Policy does not apply to loss as a result of occurrences taking place after the effective date of such cancellation.

This Policy may also be cancelled by the Company for non-payment of any unpaid portion of the premium by delivering to the Insured or by sending to the Insured at the address shown herein, written notice stating when, but not less than ten (10) days thereafter cancellation shall be effective.

If the period of limitation relating to the giving of such notice is prohibited or made void by any law controlling the construction thereof, such period shall be deemed to be amended so as to be equal to the minimum period of limitation permitted by such law.

If such cancellation is at the request of the Company, or at the request of the Insured when actually retiring from the business described in the application and specified in the Declarations, the premium shall be either the earned premium obtained by applying the rate(s) specified in Item 6 of the Declarations to the remuneration for such fractional liability period, or the pro-rata portion of the minimum premium for the normal liability period, as specified in Item 7 of the Declarations, whichever is greater.

If such cancellation is at the request of the Insured, when not retiring as provided for above, the premium shall be either the earned premium obtained by applying the rate(s) specified in Item 6 of the Declarations to the remuneration for such fractional liability period, and further adjusted by applying the customary short rate percentage to the premium so obtained, or the short rate portion of the minimum premium for the normal liability period, as specified in Item 7 of the Declarations, whichever is greater.

Tender of earned or unearned premium by either party to this Policy shall not constitute a condition precedent to the effectiveness of cancellation as herein provided.

XVI. ACCEPTANCE: By acceptance of this Policy, the Insured agrees that each of the persons, firms or organizations named in the Declarations as the Insured is, or upon learning of the necessity therefore will become, qualified to operate with the permission of the proper authorities as a self-insurer under the Worker's Compensation Act of each of the states named in Item 4 of the

Declarations; that the statements in the application for this Policy are the Insured's agreements and representations; that this Policy embodies all agreements existing between the Insured and the Company or any of its agents relating to this insurance; and that full compliance by the Insured with all the terms of this Policy is a condition precedent to the Company's liability hereunder.